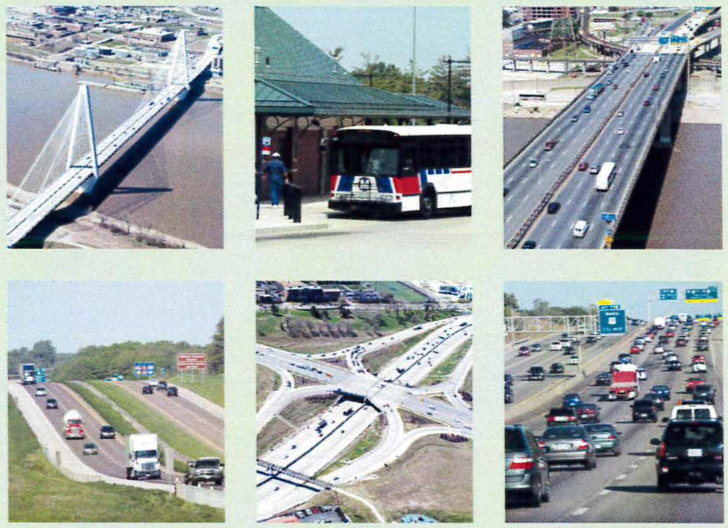

Comprehensive
Annual
Financial Report

For fiscal years ended June 30, 2014 and 2013

MTFC
Missouri Transportation
Finance Corporation
a Component Unit of the State of Missouri

Comprehensive Annual Financial Report

for fiscal years ended

June 30, 2014 and 2013

Roberta Broeker, CPA, Executive Director
and Brenda Morris, CPA, Treasurer

Prepared by the Financial Services Division
Missouri Department of Transportation

Missouri Transportation Finance Corporation
P.O. Box 270
Jefferson City, MO 65102
573-526-8106

MTFC

Missouri Transportation Finance Corporation

a Component Unit of the State of Missouri

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Table of Contents

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Introductory Section

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August 22, 2014

Board of Directors
Missouri Transportation Finance Corporation
Jefferson City, Missouri

The Missouri Transportation Finance Corporation (MTFC) is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the MTFC for the fiscal year ended June 30, 2014.

The Transportation Equity Act of the Twenty-first Century (TEA-21) Cooperative Agreement between the Federal Highway Administration, the Federal Transit Administration and the Federal Railroad Administration, agencies of the United States Department of Transportation, the Missouri Highways and Transportation Commission (MHTC) and the MTFC requires the MTFC to have an annual independent financial and compliance audit. In fulfillment of this requirement, the MTFC prepared this CAFR and contracted with the independent auditing firm of Williams-Keepers LLC to audit the financial statements.

Generally accepted accounting principles (GAAP) require management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MTFC's MD&A can be found on page 21, immediately following the report of the independent auditors.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the MTFC. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner designed to present fairly the MTFC's net position and changes in net position. All disclosures necessary to enable the reader to gain an understanding of the MTFC's financial activities have been included.

Profile of the MTFC

The MTFC, incorporated in August 1996 as a not-for-profit corporation, derived its authority to form and operate from the TEA-21. The Cooperative Agreement provided the original capitalization for the entity, a mixture of federal and state funds, to administer a program focused on funding Missouri highways and transportation projects by offering financing options such as low interest direct loans to private and public entities. An eight member Board of Directors administers the MTFC and is responsible for the direction of the entity, including approval of all loans.

Internal Control

The MTFC assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The MTFC believes the corporation's internal control provides reasonable assurance that the financial statements are free from any material misstatement.

Economic Outlook

Federal funding continues to be uncertain. Congress passed Moving Ahead for Progress in the 21st Century (MAP-21), a two-year, $105.0 billion transportation bill for the nation's transportation projects on June 29, 2012. This two-year act was set to expire September 30, 2014; however, on July 31, 2014, Congress took action to provide $10.8 billion to the Highway Trust Fund and to extend MAP-21 until May 31, 2015. The President signed the bill on August 8, 2014. This short-term fix will not solve the federal transportation funding issue. Congress will still need to work on a new highway authorization act to secure funding for transportation in the future.

State revenues designated for transportation (motor fuel taxes, motor vehicle sales taxes and motor vehicle and driver's licensing fees) have returned to 2008 levels; however, between 2008 and 2014, motor fuel taxes have decreased while motor vehicle sales taxes have increased. With people driving more fuel efficient vehicles and driving fewer miles, fuel tax-driven revenue streams are not increasing. From fiscal year 2013 to 2014, state revenues designated for transportation increased from $1,050.5 million to $1,064.3 million, or 1.3 percent. Both motor vehicle sales tax and motor vehicle driver's licensing fees increased in fiscal year 2014, while motor fuel taxes remained the same.

Future of MTFC

Annually, the Missouri Department of Transportation (MoDOT) prepares a financial forecast that is used to develop its Statewide Transportation Improvement Program. Based on this financial forecast, the MHTC took action in January 2014 to suspend the state's Cost Share Program. This popular program set aside monies for which local entities could compete for to accomplish transportation projects that were a local priority. These projects would be completed with a mixture of local funds and monies from the Cost Share Program. Often the local entities would accelerate MoDOT's portion, their portion or both using a MTFC loan. The suspension of this program is a major reason for the lack of loans applied for and approved in fiscal year 2014.

In August 2014, Missourians voted on a temporary, 10-year increase of three-quarters of one percent of general sales tax dedicated to transportation effective January 1, 2015. This proposal was defeated. As a result, the interest in MTFC loans is expected to remain low.

The MTFC's net position has increased over the last three years primarily as a result of income derived from interest earned on loans and investments. The growth in net position is expected to stay steady.

Initiatives

MoDOT's Financial Services staff is responsible for marketing MTFC loans as a transportation project funding option. They accomplish this activity by:

- Maintaining information about the MTFC on the Partnership Development Website;
- Attending and presenting at meetings throughout the state to educate partners;
- Preparing newsletters to communicate activity to potential customers; and
- Publishing an article in the March edition of the Missouri Municipal League's magazine, "The Review."

There were no new financial policies that significantly impacted the financial statements for the fiscal year ended June 30, 2014.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the MTFC for its CAFR for the fiscal year ended June 30, 2013. This was the sixth consecutive year the MTFC received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

Acknowledgements

The timely preparation of this report was achieved by the dedicated service of MoDOT's Financial Services Division staff who are responsible for MTFC administrative activities. We would like to express appreciation to members of the staff who assisted and contributed to this report.

Sincerely,

Roberta Broeker

Roberta Broeker, CPA
Executive Director

Brenda Morris

Brenda Morris, CPA
Treasurer

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri Transportation Finance Corporation

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

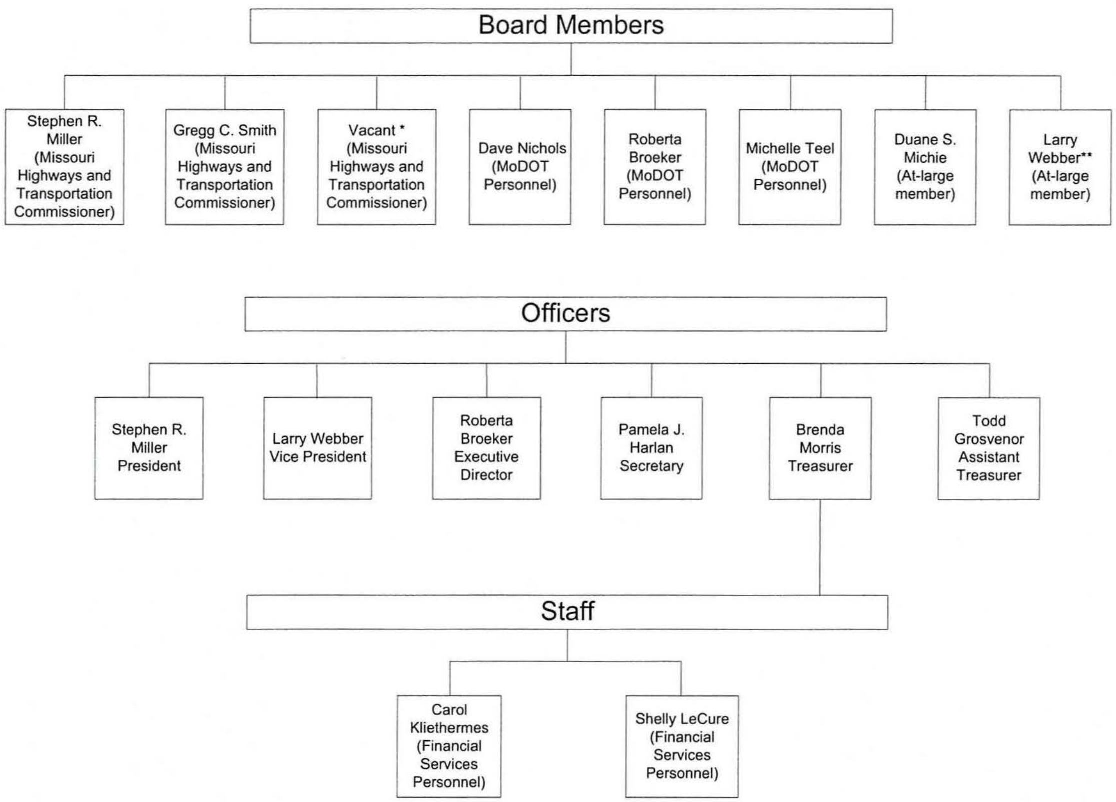
Jeffrey R. Emer

Executive Director/CEO

Organizational Chart

June 30, 2014

Missouri Transportation Finance Corporation (MTFC)
Organizational Chart



* Position remains vacant until the Governor appoints a new Commissioner.
**Mr. Webber's term as an At-large member expired June 30, 2014, and his replacement, Kelley Martin, was appointed at the June 25, 2014 MHTC meeting for a two-year term starting July 1, 2014.

MoDOT – Missouri Department of Transportation
MHTC – Missouri Highways and Transportation Commission

Principal Officials

Fiscal Year 2014

MTFC Title	**Name**
President	Stephen R. Miller, MHTC Commissioner
Vice President	Larry Webber, At-large member*
Executive Director	Roberta Broeker, MoDOT Chief Financial Officer
Secretary	Pamela J. Harlan, MHTC Secretary
Treasurer	Brenda Morris, MoDOT Financial Services Director
Assistant Treasurer	Todd Grosvenor, MoDOT Special Projects Coordinator

*Mr. Webber's term as an At-large member expired June 30, 2014, and his replacement, Kelley Martin, was appointed at the June 25, 2014 MHTC meeting for a two-year term starting July 1, 2014.

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Financial Section

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WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109
OFFICE (573) 635-6196 FAX (573) 644-7240

www.williamskeepers.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Missouri Transportation Finance Corporation
Jefferson City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Missouri Transportation Finance Corporation (the Corporation), a component unit of the State of Missouri, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Corporation as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require the management's discussion and analysis on pages 21 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2014, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Williams Keepers LLC

August 22, 2014

Management's Discussion and Analysis

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Management's Discussion and Analysis

The following section of our annual financial report presents our discussion and analysis of the MTFC's financial performance during the year. It is intended to provide an objective and easily readable analysis of the MTFC's financial activities based on currently known facts, decisions and conditions. Readers should consider the information presented here in conjunction with the information presented in the financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- During fiscal year 2014, the MTFC did not approve any loans. By comparison, in fiscal year 2013, the MTFC approved two loans totaling $1.5 million, which was less than fiscal year 2012 when eleven loans totaling $34.5 million were approved.
- Disbursements totaling $5.6 million for five loans were made in fiscal year 2014. In fiscal year 2013, seven loans totaling $19.3 million were disbursed and in fiscal year 2012, nine loans totaling $21.9 million were disbursed.
- In fiscal year 2014, one entity requested a loan disbursement be $2.3 million less than the approved amount, while in fiscal year 2013, two entities requested a loan disbursement be $5.7 million less than the approved amounts. No entities requested a lesser amount in fiscal year 2012. In fiscal years 2014 and 2012, no entities contacted the MTFC declining their approved loan, while in fiscal year 2013, one entity with a $1.0 million approved loan determined they did not need the loan.
- The MTFC's net loans receivable decreased $20.9 million and $1.7 million from fiscal year 2013 to 2014 and from fiscal year 2012 to 2013, respectively, as loan repayments exceeded loan disbursements.
- Operating income decreased $618,000 from fiscal year 2013 to 2014 as a result of the decrease in interest income on loans. From fiscal year 2012 to 2013, operating income increased $83,000 as a result of the increase in interest income on loans exceeding the decrease in other income.
- Total nonoperating revenues (expenses) increased from ($108,000) in fiscal year 2013 to $302,000 in fiscal year 2014, 379.6 percent, due to an increase in investment earnings, which includes a significant increase in the market value of investments. From fiscal year 2012 to 2013, total nonoperating revenues (expenses) decreased $205,000, 211.3 percent, due to the reduction in the investment earnings.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the MTFC's basic financial statements, which are comprised of two components: 1) financial statements and 2) notes to the financial statements.

Financial Statements report information about the MTFC through accounting methods used by private-sector companies, the economic resources measurement focus and accrual basis of accounting. These statements provide short- and long-term information about the financial status of the MTFC.

The *Statements of Net Position* include all MTFC assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the MTFC is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* account for all revenues and expenses of the MTFC as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *Statements of Cash Flows* provide readers the sources and uses of cash and the changes in the cash balance during the year.

Notes to the Financial Statements provide additional information and discuss particular accounts in more detail. The Notes are essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

MTFC Net Position
June 30, 2014, 2013 and 2012
(dollars in thousands)

	2014	2013	2012
Assets			
Cash and investments	$ 46,171	$22,648	$18,232
Interest receivable on loans and investments	923	1,229	1,438
Loans receivable, net	54,290	75,230	76,956
Total assets	101,384	99,107	96,626
Liabilities			
Accounts Payable	1	3	9
Net Position			
Restricted for lending purposes	75,852	75,550	75,658
Unrestricted net position	25,531	23,554	20,959
Total net position	$ 101,383	$99,104	$96,617

Assets

Cash and investments increased $23.5 million from fiscal year 2013 to 2014. An increase of $4.4 million occurred between fiscal year 2012 and 2013. In fiscal year 2014, net loans receivable decreased $20.9 million and in fiscal year 2013 net loans receivable decreased $1.7 million. The increase in cash and investments, as well as the decrease in loans receivable in fiscal year 2014, are attributed to loan repayments of $26.5 million exceeding loan disbursements of $5.6 million. In fiscal year 2013, loan repayments of $21.0 million exceeded loan disbursements of $19.3 million resulting in the increase in cash and investments and the decrease in loans receivable.

Net Position

Net position increased $2.3 million in fiscal year 2014. The primary reason for the increase in net position resulted from $2.0 million in loan interest and total nonoperating revenues (expenses) of $302,000. In fiscal year 2013, net position increased $2.5 million as a result of loan interest of $2.6 million and total nonoperating revenues (expenses) of ($108,000). Net position restricted for lending purposes includes cumulative net investment earnings and will change as the market fluctuates.

MTFC Changes in Net Position
Years ended June 30, 2014, 2013 and 2012
(dollars in thousands)

	2014	2013	2012
Operating Revenues			
Interest income on loans	$ 2,005	$ 2,632	$ 2,523
Other income	2	2	37
Total operating revenues	2,007	2,634	2,560
Operating Expenses			
Administrative fees	21	27	36
Other operating expenses	9	12	12
Total operating expenses	30	39	48
Nonoperating Revenues (Expenses)			
Investment earnings	326	(99)	111
Nonoperating expenses	(24)	(9)	(14)
Total nonoperating revenues (expenses)	302	(108)	97
Change in net position	2,279	2,487	2,609
Net position at beginning of year	99,104	96,617	94,008
Net position at end of year	$101,383	$99,104	$96,617

Revenues

In fiscal years 2014, 2013 and 2012, the primary source of income was interest earned on loans. In fiscal year 2014, interest income on loans recognized as operating revenue decreased $627,000 compared to fiscal year 2013 and increased $109,000 in fiscal year 2013 compared to fiscal year 2012. The average loans receivable balance was $56.0 million in fiscal year 2014 compared to $77.6 million in fiscal year 2013 and $69.8 million in fiscal year 2012. In fiscal year 2014, the decrease in interest income is the result of the decrease in the average loans receivable balance. The increase in interest income in fiscal year 2013 is the result of the increase in the average loans receivable balance. Program fees, included in other income, in fiscal year 2014 remained consistent with fiscal year 2013. Between fiscal year 2013 and 2012, program fees decreased $35,000. In fiscal year 2014, the MTFC received one loan application for $1.2 million late in the fiscal year, compared to two loan applications totaling $1.5 million in fiscal year 2013. The MTFC received 12 loan applications totaling $35.8 million in loan requests in fiscal year 2012.

Nonoperating revenue is recognized on investments that are available for lending purposes. The primary reason for the increase in fiscal year 2014 is the appreciation on the fair value of investments.

Expenses

In fiscal year 2014, administrative fees totaled $21,000, a decrease of $6,000 from fiscal year 2013. Administrative fees in fiscal year 2013 decreased $9,000 from fiscal year 2012. The decrease in administrative fees from fiscal years is due to a continued decrease in loan applications.

ECONOMIC AND OTHER FACTORS

The MTFC is an option for financing transportation projects. Demand for MTFC loans declined in fiscal year 2014, mainly from the MHTC's action to suspend the state's Cost Share Program in January 2014. This popular program set aside monies for which local entities could compete for to accomplish transportation projects that were a local priority. These projects would be completed with a mixture of local funds and monies from the Cost Share Program. Often local entities would accelerate MoDOT's portion, their portion or both using a MTFC loan.

In August 2014, Missourians voted on a temporary, 10-year increase of three-quarters of one percent of general sales tax dedicated to transportation effective January 1, 2015. This proposal was defeated. As a result, the interest in MTFC loans is expected to remain low.

The MTFC's net position has increased over the last three years primarily as a result of income derived from interest earned on loans and investments. The growth in net position is expected to stay steady.

CONTACTING THE MTFC

This financial report is designed to provide the Missouri Transportation Finance Corporation's interested parties, including citizens, taxpayers, customers, potential investors and creditors, with a general overview of the MTFC's finances and to demonstrate the MTFC's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to Missouri Transportation Finance Corporation, P.O. Box 270, Jefferson City, Missouri 65102.

Financial Statements

Statements of Net Position

June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 14,287,578	$12,286,951
Investments	4,006,410	5,381,019
Interest receivable on loans	875,459	1,209,429
Interest receivable on investments	47,288	19,849
Loans receivable, net	18,432,093	18,677,569
Total current assets	37,648,828	37,574,817
Noncurrent assets		
Investments	27,876,732	4,979,801
Loans receivable, net	35,858,151	56,552,510
Total noncurrent assets	63,734,883	61,532,311
Total Assets	101,383,711	99,107,128
Liabilities		
Current liabilities		
Accounts payable	959	328
Unearned revenue	---	2,950
Total current liabilities	959	3,278
Total Liabilities	959	3,278
Net Position		
Restricted for lending purposes	75,851,793	75,549,852
Unrestricted net position	25,530,959	23,553,998
Total Net Position	$101,382,752	$99,103,850

The notes to the financial statements are an integral part of these statements

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

	2014	2013
Operating Revenues		
Interest income on loans	$ 2,005,582	$ 2,632,100
Program fees	1,800	2,280
Total Operating Revenues	2,007,382	2,634,380
Operating Expenses		
Administrative fees	21,069	26,711
Professional fees	8,900	9,800
Other	450	2,516
Total Operating Expenses	30,419	39,027
Operating Income	1,976,963	2,595,353
Nonoperating Revenue (Expenses)		
Investment earnings (loss)	326,181	(99,275)
Investment fees	(24,242)	(9,324)
Net Nonoperating Revenues (Expenses)	301,939	(108,599)
Change in net position	2,278,902	2,486,754
Net Position, beginning of year	99,103,850	96,617,096
Net Position, end of year	$101,382,752	$99,103,850

The notes to the financial statements are an integral part of these statements

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Interest received on loans	$ 2,336,602	$ 2,802,042
Fees received for services	1,800	2,280
Loan disbursements	(5,600,527)	(19,299,247)
Principal received	26,540,362	21,025,293
Payments for administrative services	(20,438)	(27,777)
Other payments	(9,350)	(12,316)
Net cash provided by (used in) operating activities	23,248,449	4,490,275
Cash Flows From Investing Activities		
Interest received	191,928	188,964
Sale of investments	37,489,068	23,294,293
Purchase of investments	(58,904,576)	(24,553,041)
Investment fees	(24,242)	(9,324)
Net cash provided by (used in) investing activities	(21,247,822)	(1,079,108)
Net increase (decrease) in cash and cash equivalents	2,000,627	3,411,167
Cash and Cash Equivalents, Beginning of Year	12,286,951	8,875,784
Cash and Cash Equivalents, End of Year	$ 14,287,578	$ 12,286,951
Reconciliation of Operating Income to Net Cash Provided by (used in) Operating Activities		
Operating income	$ 1,976,963	$ 2,595,353
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Interest receivable - loans	331,020	169,942
Loans receivable, net	20,939,835	1,726,046
Accounts payable	631	(1,066)
Net Cash Provided by (used in) Operating Activities	$ 23,248,449	$ 4,490,275
Noncash Items Impacting Recorded Assets		
Increase (decrease) in fair value of investments	$ 106,814	$ (254,446)

The notes to the financial statements are an integral part of these statements

Notes to the Financial Statements

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

The Missouri Transportation Finance Corporation (MTFC) was created by the Missouri Highways and Transportation Commission (MHTC), under Missouri General Not-for-Profit Corporation Law, Chapter 355 of the Revised Statutes of Missouri (RSMo), on August 23, 1996. The entity administers a program, in conformity with federal transportation laws, to provide financing and other assistance to public and private entities for highway and transportation projects in the state of Missouri.

(A) Reporting Entity

The MTFC is a component unit of the state of Missouri. The MHTC has authority to remove any board member for cause, and therefore, may impose its will on the MTFC. The accompanying basic financial statements include only those operations related to the MTFC.

(B) Basis of Accounting

MTFC accounts for its activities as an Enterprise Fund, a type of Proprietary Fund. Proprietary Funds are used to account for ongoing activities that are similar to activities found in the private sector. The measurement focus is upon determination of net income. In reporting its financial activity, the MTFC applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accrual basis of accounting is utilized under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. In applying the accrual concept to federal grant revenues and contributions, the legal and contractual requirements of the individual programs are used for guidance.

(C) Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash and overnight repurchase agreements. Investments are reported at fair value. MTFC requires that securities underlying overnight repurchase agreements must have a fair value of at least 100 percent of the cost of the agreement. The fair values of the repurchase agreements are determined daily.

(D) Loans Receivable

Program loans are made and collected to fulfill the MTFC's responsibility to provide financing and other assistance to public and private entities for highway and transportation projects in the state of Missouri. Management has determined, based on prior experience and collateral pledged on the loans, that an allowance for uncollectible loans is not necessary.

(E) Net Position

Equity is categorized in the statements of net position as restricted and unrestricted. Restricted net position is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. In general, restricted net position is composed of the original federal and state grant funds provided to establish the loan program and net investment income earned on those funds not currently loaned. When both restricted and unrestricted resources are available for use, generally it is the MTFC's policy to use restricted resources first for program loans to provide financing and other assistance to public and private entities for highway and transportation projects in the state of Missouri. Unrestricted resources are used for operating expenses and loans as needed.

(F) Unearned Revenue

The MTFC had unearned revenue in the form of prepaid interest. This unearned revenue was recognized as it was earned.

(G) Classification of Operating and Nonoperating Revenues and Expenses

The MTFC has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, including interest income on program loans made to entities as provided by federal transportation laws and program fees.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including federal, state and local grants and contracts. Investment earnings are also classified as nonoperating revenue.

Operating expenses: Operating expenses primarily include administrative fees and professional services. The administrative fees are reimbursements to the Missouri Department of Transportation for personnel service costs related to the support of the MTFC.

Nonoperating expenses: Nonoperating expenses consist of investment fees.

(H) Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(I) Income Taxes

The MTFC submitted a request for ruling to the Internal Revenue Service (IRS). In response to that request, the IRS ruled the income of the MTFC is excludable from gross income for federal income tax purposes under Section 115 of the Code. The MTFC is required to file an annual income tax return on Form 1120.

Note 2: Cash and Investments

(A) Deposits

The carrying amounts of deposits and repurchase agreements of the MTFC at June 30, 2014 and 2013 were $14,287,578 and $12,286,951, respectively. The bank balances were covered by federal depository insurance and by collateral held by a third-party bank under a joint custody agreement.

(B) Investments

The MTFC's investment policy is approved by the Board. This policy supports the MTFC's conservative and prudent approach to investment management. The policy also addresses authorized financial dealers and institutions, internal controls, suitable and authorized investments, collateralization, diversification of the portfolio, maximum maturities, performance standards and reporting requirements.

The policy allows funds to be invested in time deposits, linked deposits, certificates of deposit, commercial paper, bankers' acceptances, repurchase and reverse repurchase agreements and United States Treasury and federal agency securities. The MTFC's investments are reported at fair value. At June 30, 2014 and 2013, the MTFC had $31,883,142 and $10,360,820, respectively, of unregistered government sponsored securities for which a financial institution's trust department holds the securities in the MTFC's name.

Investment earnings consisted of the following for the years ended June 30:

	2014	2013
Interest income on deposits	$ 30,013	$ 19,385
Interest income on investments	189,354	135,787
Net appreciation (depreciation) in fair value of investments	106,814	(254,447)
Total investment earnings (loss)	$ 326,181	$ (99,275)

(C) Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The MTFC policy states interest rate risk will be managed by the following objectives:

Safety: The investment portfolio is developed to avoid the need to sell securities on the open market prior to maturity, with securities scheduled to mature to meet cash requirements for ongoing operations.

Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so the securities mature concurrent with cash needs to meet anticipated demands (static liquidity).

Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

(D) Credit Risk

The MTFC minimizes credit risk by limiting investments to the safest types of securities as defined in Note 2: Cash and Investments, Section (B) Investments.

(E) Concentration of Credit Risk

The MTFC diversifies its investments to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, issuer or class of securities. The asset allocation is periodically reviewed by management.

At June 30, 2014, the MTFC's investments had the following average maturities:

Investment Type	Fair Value	Less than 1 year	1-3 years	4-5 years
Repurchase agreements	$14,287,522	$14,287,522	$ ---	$ ---
Government agency obligations	28,981,200	4,006,410	23,978,500	996,290
US agency obligations	2,901,942	---	2,901,942	---

At June 30, 2013, the MTFC's investments had the following average maturities:

Investment Type	Fair Value	Less than 1 year	1-3 years	4-5 years
Repurchase agreements	$12,286,769	$12,286,769	$ ---	$ ---
Government agency obligations	7,368,950	5,381,030	1,011,150	976,770
US agency obligations	2,991,870	---	2,991,870	---

At June 30, 2014 and 2013, the MTFC's investments were rated as shown below. This disclosure does not include repurchase agreements.

Investment Type	Moody's	Fair Value 2014	Fair Value 2013
Governmental agency obligations	Aaa	$28,981,200	$ 7,368,950
US agency obligations	Aaa	2,901,942	2,991,870

(F) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the MTFC will not be able to recover collateralized securities in the possession of an outside party. The MTFC's policy is to collateralize demand deposits and repurchase agreements with securities held by the financial institution's agent in the MTFC's name. The MTFC policy also states security transactions are settled "delivery versus payment." This means payment is made simultaneously with the receipt of the security. These securities are delivered to the MTFC's safekeeping bank.

Note 3: Loans Receivable

Loans are entered into to provide financing for highway and transportation projects. Future revenues primarily secure public entity loans. Irrevocable letters of credit or designated funds secure loans to private entities. The receivable balance as of June 30, 2014 and 2013 consists of the following:

(amounts in thousands)

Customer and Project Description	Loan Date	Maturity Date	Interest Rate	2014	2013
Principal and Interest Paid Monthly					
City of Lexington Rehabilitate South and Franklin Streets in the city.	08/01/06	07/31/13	3.80%	$ ---	$ 2
Principal and Interest Paid Semi-annually					
City of Pacific Accelerate the Missouri Highways and Transportation Commission's (MHTC) portion and finance the city's portion of a cost share project to relocate the I-44 eastbound ramp.	03/23/09	09/30/14	4.18	65	188
City of Columbia Finance the city's portion of the cost share project to construct improvements on Route 740, also known as Stadium Boulevard. The project consists of widening Route 740 from a five-lane undivided roadway to a six-lane divided roadway.	03/01/12	03/01/22	3.92	6,697	7,397

(amounts in thousands)

Customer and Project Description	Loan Date	Maturity Date	Interest Rate	2014	2013
Principal and Interest Paid Annually					
Madison County Finance the county's portion of a cost share project to relocate Route 72 bypassing Fredericktown and Junction City and to refinance debt of related improvements. This loan was paid off early on December 19, 2013.	09/28/07	03/01/18	4.20%	$ ---	$ 2,260
City of St. Louis Construct Gateway Transportation Center to consolidate urban buses, intercity buses, light rail passenger, commercial space and parking.	10/26/07	01/31/18	4.20	2,037	2,500
City of Kansas City Construct a single point urban interchange in conjunction with the kcICON project.	12/21/07	11/19/17	4.20	5,554	6,807
City of Rogersville Accelerate the MHTC's portion and finance the city's portion of a cost share project to improve traffic flow and access management at the intersection of Route 60 and Route VV/B.	07/31/09	08/01/14	4.47	49	92
U.S. Highway 36 – Interstate 72 Corridor – Transportation Development District Construct two additional lanes of approximately 52 miles on Route 36.	12/31/09	12/31/19	3.99	18,786	21,776
City of St. Clair Finance the city's portion of a cost share project to relocate the I-44 North Outer Road at Route 47.	10/03/11	10/01/21	2.93	1,358	1,507
City of Kirksville Accelerate the MHTC's portion and finance the city's portion of a cost share project to improve access and pedestrian facilities along Route 63.	12/01/11	12/01/18	2.92	151	179
City of Poplar Bluff Accelerate the MHTC's portion and finance the city's portion of a cost share project to improve the interchange at Route 67 and Oak Grove Road and the intersection at Business Route 67 and Oak Grove Road.	03/01/12	03/01/22	4.15	8,111	8,266

(amounts in thousands)

Customer and Project Description	Loan Date	Maturity Date	Interest Rate	2014	2013
Principal and Interest Paid Annually (continued)					
City of Republic Finance the city's portion of a cost participation project to improve the intersection of Route 60 and Oakwood Avenue.	03/01/12	03/01/17	2.96%	$ 136	$ 179
Highway 71/291 Partners in Progress Transportation Development District Accelerate the MHTC's portion and finance the Transportation Development District's portion of two cost share projects to improve the interchange of Route 71 and Route 291.	05/25/12	08/01/14	0.55	3,700	478
Neosho Transportation Development District Accelerate the MHTC's portion of a cost share project to construct improvements on and adjacent to Route 60.	07/15/12	08/01/13	0.27	---	1,721
Barton County Finance the county's portion of a cost share project to improve Route 71 at 30th Road and First Street.	08/01/12	08/01/22	2.17	820	1,543
City of Liberty Accelerate the MHTC's portion of a cost share project to reconfigure the interchange and replace the bridge at Interstate 35 and Route 291.	09/17/12	08/01/13	0.72	---	5,000
City of O'Fallon Construct Crusher Street extension and improve Elaine Drive.	11/01/12	11/01/22	2.69	2,772	2,000
Christian County Finance the county's portion of a cost share project to construct a diverging diamond interchange at Route 65 and Route CC.	10/01/13	08/01/23	3.64	100	---
Village of Innsbrook Construct shoulders on Route F.	10/01/13	08/15/23	2.29	200	---
City of Owensville Finance the city's portion of a cost share project to improve Route 28 inside the city limits.	03/03/14	06/30/18	1.61	419	---

(amounts in thousands)

Customer and Project Description	Loan Date	Maturity Date	Interest Rate	2014	2013
Interest Only Paid Annually					
St. Charles County Accelerate the MHTC's portion of a cost share project to construct Phase II of Route 364 (Page Avenue) from Central School Road to Mid Rivers Mall Drive.	06/01/10	08/01/13	1.33%	$ ---	$ 5,000
Bi-State Development Agency Provide funding for Bi-State's Debt Service Reserve Fund as a secondary security to bondholders. This loan was paid off early on September 13, 2013.	10/03/11	10/01/16	1.83	---	5,000
St. Charles County Accelerate the MHTC's portion of a cost share project to construct a diverging diamond interchange at Mid Rivers Mall Drive and an additional westbound lane on I-70 between Mid Rivers Mall Drive and Route 79.	12/03/12	08/01/14	0.69	3,335	3,335
Total				$54,290	$75,230

Annual loans receivable to maturity are indicated in the following schedule.
(amounts in thousands)

Fiscal Year	Principal
2015	$18,432
2016	6,778
2017	6,998
2018	7,061
2019	4,543
2020-2024	10,478
Total principal	$54,290

Loans receivable are included in the accompanying statements of net position, as follows:
(amounts in thousands)

	2014	2013
Current loans receivable	$18,432	$18,677
Noncurrent loans receivable	35,858	56,553
Total loans receivable	$54,290	$75,230

Note 4: Administrative Expenses

Administrative expenses and accounts payable represent reimbursements to the Missouri Department of Transportation (MoDOT) for personnel and administrative costs.

Note 5: Restricted Net Position

The MTFC received money from federal grants, which is restricted for lending purposes only. Those grants required a state transportation funding match, which, with net investment earnings (loss), is also restricted for lending purposes. Restricted net position increased due to the net investment gain for the year ended June 30, 2014, included in net nonoperating revenues (expenses).

(amounts in thousands)

	2014	2013
Federal grant	$49,410	$49,410
State grant	10,250	10,250
Cumulative net investment earnings	16,192	15,890
Total restricted net position available for lending purposes	$75,852	$75,550

Note 6: Risk Management

The MTFC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets. The MTFC does not carry commercial insurance but takes additional internal control steps to ensure safekeeping of assets. The State's Legal Expense Fund covers all state employees for the risks of errors and omissions. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No liabilities were reported at June 30, 2014 or 2013. The MTFC has had no settlements in the last three years.

Note 7: Loan Commitments and Loans Approved

At June 30, 2014, the MTFC had loan commitments totaling $2.6 million that were approved and executed but not disbursed.

(amounts in thousands)

Customer and Project Description	Approved Date	Executed Date	Projected Disbursement Date	Interest Rate	Amount
Principal and Interest Paid Annually					
Christian County Finance the county's portion of a cost share project to construct a diverging diamond interchange at Route 65 and Route CC.	05/02/11	09/09/11	08/01/14	3.64%	$ 1,557
City of Waynesville Finance the city's portion of a cost share project to improve Route 17 inside the city limits.	04/30/13	11/13/13	10/01/14	2.28	482
			09/30/15		538
					1,020
Total loan commitments*					$ 2,577

*Unrestricted and restricted net position is sufficient to meet loan commitments and loans approved.

Note 8: Accounting Pronouncements

GASB Statements 65, *Items Previously Reported as Assets and Liabilities;* 66, *Technical Corrections for Risk Financing and Lease Fair Values;* 67, *Financial Reporting for Pension Plans;* and 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* had no impact on the MTFC financial statements. GASB Statements 68, *Accounting and Financial Reporting for Pensions*; 69, *Government Combinations and Disposals of Government Operations;* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* will not affect the MTFC financial statements.

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Statistical Section

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Index
Statistical Section

Note:

The objective of this statistical section is to provide users with a historical perspective by presenting information for multiple years. Over time, data for the most recent ten years will be presented. However, in some cases schedules originate with the year the MTFC began tracking the information or it became administratively feasible to report retroactively.

Financial Trends
Changes in Net Position

Years Ended June 30
(amounts in thousands)

	2014	2013	2012	2011
Operating Revenues				
Interest income on loans	$2,005	$2,632	$2,523	$2,580
Program fees	2	2	37	16
Total Operating Revenues	2,007	2,634	2,560	2,596
Operating Expenses				
Administrative fees	21	27	36	17
Professional fees	9	10	10	10
Travel and training	---	---	---	---
Other	---	2	2	2
Total Operating Expenses	30	39	48	29
Operating Income	1,977	2,595	2,512	2,567
Nonoperating Revenues (Expenses)				
Investment earnings	326	(99)	111	158
Investment fees	(24)	(9)	(14)	(14)
Net Nonoperating Revenues (Expenses)	302	(108)	97	144
Change in Net Position	$2,279	$2,487	$2,609	$2,711

2010	2009	2008	2007	2006	2005
$2,056	$ 844	$1,064	$ 913	$1,154	$1,262
29	43	6	5	3	3
2,085	887	1,070	918	1,157	1,265
49	48	33	45	36	50
11	10	9	8	8	8
---	---	1	4	2	---
2	3	5	4	1	9
62	61	48	61	47	67
2,023	826	1,022	857	1,110	1,198
375	1,967	2,459	2,996	1,692	733
(35)	(64)	(57)	(55)	(28)	---
340	1,903	2,402	2,941	1,664	733
$2,363	$2,729	$3,424	$3,798	$2,774	$1,931

Financial Trends
Net Position

Years Ended June 30
(amounts in thousands)

Fiscal Year	Restricted	Unrestricted	Total
2014	$ 75,852	$ 25,531	$ 101,383
2013	75,550	23,554	99,104
2012	75,658	20,959	96,617
2011	75,562	18,446	94,008
2010	75,417	15,880	91,297
2009	75,077	13,857	88,934
2008	73,174	13,031	86,205
2007	70,772	12,009	82,781
2006	67,830	11,153	78,983
2005	66,167	10,042	76,209

Amounts for 2005 through 2012 include restatements of restricted and unrestricted net position to meet the definition of restricted net position. These restatements had no effect on total net position.

Revenue Capacity
Average Fair Value of Investments and Average Yields on Investments Held on Behalf of the MTFC

Years Ended June 30
(amounts in thousands)

Fiscal Year	Average Monthly Fair Value of Investments	Average Monthly Yield on Investments
2014	$23,717	0.82%
2013	8,816	1.25
2012	11,910	1.92
2011	13,604	2.30
2010	28,196	2.86
2009	57,105	3.35
2008	52,144	4.54
2007	50,863	5.17
2006*	38,942	4.08

*Includes only October through June

Source: Investment summary of funds held at MTFC calculated by Missouri Department of Transportation, Financial Services staff.

Revenue Capacity
Net Loans Receivable by Fiscal Year

Years Ended June 30
(amounts in thousands)

Fiscal Year	Net Loans Receivable	Weighted Average Interest Rate
2014	$ 54,290	3.45%
2013	75,230	3.15
2012	76,956	3.59
2011	63,659	3.68
2010	74,889	3.77
2009	28,276	4.25
2008	17,835	2.88
2007	24,513	3.76
2006	29,785	3.60
2005	34,958	3.52

Source: Weighted average interest rate calculated by Missouri Department of Transportation, Financial Services staff.

Demographic and Economic Information Population, Personal Income and Unemployment Rate – State of Missouri

Years Ended December 31
(amounts in thousands)

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2013	6,044	$238,095,204	$39	7.4%
2012	6,022	233,049,000	39	7.6
2011	6,011	229,986,000	38	7.7
2010	6,012	217,486,000	36	9.2
2009	5,988	213,238,000	36	9.2
2008	5,912	205,288,000	35	6.0
2007	5,878	198,757,000	34	5.1
2006	5,838	188,399,000	32	5.2
2005	5,788	178,036,000	31	6.3
2004	5,745	170,392,000	30	5.9

Sources:

Population: United States Department of Commerce, Census Bureau

Personal Income, Per Capita Personal Income and Unemployment Rate: United States Department of Commerce, Bureau of Economic Analysis

Demographic and Economic Information
Employment Sectors – State of Missouri

Years Ended December 31
(amounts in thousands)

	2013			2004		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Trade, transportation and utilities	535	1	20%	551	1	20%
Government	442	2	16	439	2	16
Education and health services	428	3	15	364	3	14
Professional and business services	349	4	13	314	4	12
Leisure and hospitality	276	5	10	263	6	10
Manufacturing	251	6	9	312	5	11
Financial activities	171	7	6	163	7	6
Other services	116	8	5	119	9	4
Construction, natural resources and mining	111	9	4	142	8	5
Information	56	10	2	64	10	2
Total	2,735		100%	2,731		100%

Source: United States Department of Labor, Bureau of Labor Statistics

Operating Information
Approved Loans by Fiscal Year

Years Ended June 30
(dollar amounts in thousands)

Fiscal Year	Number of Loans Approved	Total Approved Loan Amount
2014	---	$ ---
2013	2	1,546
2012	11	34,458
2011	4	10,791
2010	6	15,658
2009	11	23,724
2008	3	10,284
2007	14	95,781
2006	2	8,060
2005	2	897

Source: Missouri Department of Transportation, Financial Services database

Not all loans approved by the MTFC board are executed or disbursed.

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Other Information

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WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109
OFFICE (573) 635-6196 FAX (573) 644-7240

www.williamskeepers.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Missouri Transportation Finance Corporation
Jefferson City, Missouri

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Missouri Transportation Finance Corporation (the Corporation), a component unit of the State of Missouri, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated August 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams Keepers LLC

August 22, 2014